



# WEEKLY ECONOMIC DIGEST

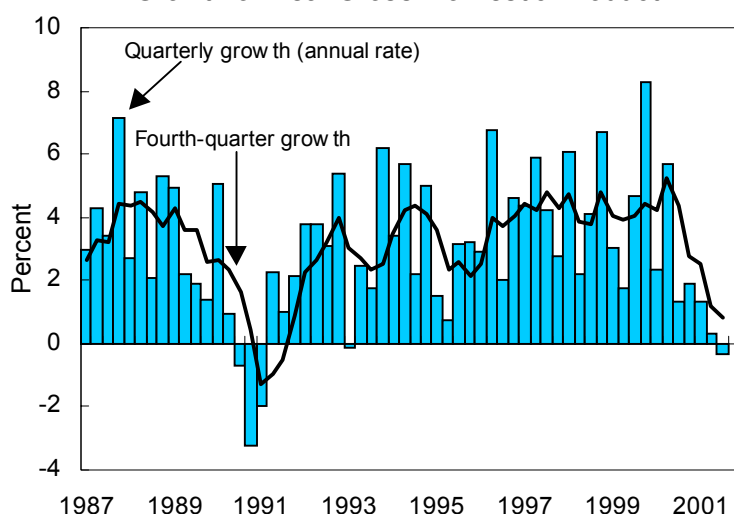


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF  
SENATOR JACK REED (D-RI) – VICE CHAIRMAN

November 6, 2001

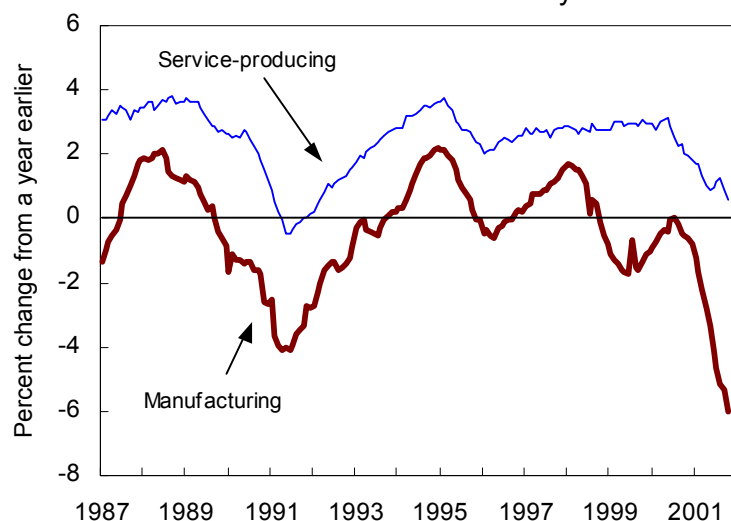
## Grimmer Jobs Picture Makes Further Rate Cuts Likely

Growth of Real Gross Domestic Product



Source: Bureau of Economic Analysis, U.S. Department of Commerce.

Growth of Establishment Payrolls



Source: Bureau of Labor Statistics, U.S. Department of Labor.

- **The economy contracted slightly in the third quarter.** Preliminary estimates reported by the Bureau of Economic Analysis indicate that real (inflation-adjusted) gross domestic product (GDP) fell at an annual rate of 0.4 percent in the third quarter. That decline, the largest in more than a decade, left real GDP only 0.8 percent above its level in the third quarter of last year. The slowing in real GDP growth stemmed from sharp decelerations in consumer spending and state and local government purchases along with large declines in exports of goods and services.
- **Unemployment rose in October.** The civilian unemployment rate rose half a percentage point to 5.4 percent last month, 1.5 percentage points above its level in October 2000. The rise in unemployment was pervasive across different categories of workers, although the most vulnerable segments of the labor force were hit the hardest. For example, unemployment among African Americans rose a full percentage point in October to 9.7 percent, and the jobless rate for those of Hispanic origin rose 0.8 percentage point to 7.2 percent.
- **Payrolls tumbled.** Private nonfarm payrolls fell by 439,000 jobs last month, reflecting weakness across a wider range of industries than has been the case in recent months. To be sure, manufacturing employment continued to decline, falling six percent below its level a year ago. But employment in service-producing industries also fell substantially in October. That decline reflected continued job losses among the providers of temporary help services along with losses in wholesale and retail trade as well as hotels.
- **Further rate cuts are likely.** The weaker-than-expected employment data for October together with recent survey evidence indicating a virtual absence of supply bottlenecks among domestic industries make it even more likely that the Federal Open Market Committee will decide to lower the target rate for federal funds at its meeting later today.

<b>Economy At A Glance</b>	Oct	Sep	Aug	Jul	2001 Qtr 3	2001 Qtr 2	2001 Qtr 1	2000 Qtr 4	2000	1999
<b>Economic Activity</b>										
Real GDP (% growth)					-0.4	0.3	1.3	1.9	4.1	4.1
Industrial Production (% growth)		-11.4	-8.1	-1.2	-6.2	-4.4	-6.8	-0.9	5.6	4.2
Capacity Utilization (Level, %)		75.5	76.4	77.0	76.3	77.8	79.2	81.3	82.1	81.2
Civilian Unemployment Rate (Level, %)	5.4	4.9	4.9	4.5	4.8	4.5	4.2	4.0	4.0	4.2
Housing Starts (Thousands)		1574	1548	1660	1594	1623	1627	1539	1575	1647
Real Disposable Personal Income (% growth)		-7.0	25.3	23.9	12.8	2.4	2.7	4.2	3.5	2.5
Retail Sales (% growth)		-24.9	5.1	2.4	-1.0	5.2	5.2	0.2	7.6	8.2
Personal Saving Rate (Level, %)		4.7	4.1	2.5	3.8	1.1	1.1	1.0	1.0	2.4
<b>Inflation &amp; Productivity</b>										
CPI-U Inflation, All Items (% growth)		4.9	1.2	-3.5	0.7	3.1	4.2	2.9	3.4	2.2
Core CPI-U Inflation (% growth)		2.4	2.4	2.4	2.5	2.6	3.2	2.4	2.4	2.1
Compensation per Hour (% growth)					3.6	4.1	4.5	3.6	4.4	3.5
Output per Hour (% growth)*						2.1	0.0	2.4	3.0	2.3
<b>Financial Markets</b>										
T-Bill Rate, 3-month (Level, %)	2.2	2.6	3.4	3.5	3.2	3.7	4.8	6.0	5.8	4.6
T-Note Rate, 10-years (Level, %)	4.6	4.7	5.0	5.2	5.0	5.3	5.1	5.6	6.0	5.7
Federal Funds Rate (Level, %)	2.5	3.1	3.7	3.8	3.6	4.3	5.6	6.5	6.2	5.0
Dow Jones Industrial Avg (Index Level)	9221	9043	10315	10445	9934	10669	10513	10586	10735	10465

Sources: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

\* Subject to revision this week.

#### Major Economic News Due This Week:

- **Federal Open Market Committee Meeting** [Tuesday, November 6, 2001]
- **Productivity, Third Quarter** [Release: Wednesday, November 7, 2001]
- **Import and Export Prices, October** [Release: Thursday, November 8, 2001]
- **Producer Price Index, October** [Release: Friday, November 9, 2001]
- **University of Michigan Consumer Sentiment, November (preliminary)** [Release: Friday, November 9, 2001]